

ARES CAPITAL CORP
Form 497
August 24, 2007

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PROSPECTUS SUPPLEMENT
(To Prospectus dated March 26, 2007)

2,300,000 Shares

Common Stock

Ares Capital Corporation is a specialty finance company that is a closed-end, non-diversified management investment company incorporated in Maryland that is regulated as a business development company under the Investment Company Act of 1940. We were founded in April 2004 and completed our initial public offering on October 8, 2004. Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in first and second lien senior loans and mezzanine debt, which in some cases may include an equity component, and, to a lesser extent, in equity investments, in private middle market companies.

We are managed by Ares Capital Management LLC, an affiliate of Ares Management LLC, an independent Los Angeles based firm that currently manages investment funds that have approximately \$16.7 billion of committed capital. Ares Operations LLC provides the administrative services necessary for us to operate.

Our common stock is quoted on The NASDAQ Global Select Market under the symbol "ARCC." On August 22, 2007, the last reported sale price of our common stock on The NASDAQ Global Select Market was \$16.88 per share.

Investing in our common stock involves risks that are described in the "Risk Factors" section beginning on page 16 of the accompanying prospectus.

This prospectus supplement and the accompanying prospectus concisely provide important information you should know before investing in our common stock. Please read this prospectus supplement and the accompanying prospectus before you invest and keep it for future reference. Our Internet address is <http://www.arescapitalcorp.com>. We make available free of charge on our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission or the "SEC." The SEC also maintains a website at www.sec.gov that contains such information.

	Per Share	Total
Public offering price	\$16.30	\$37,490,000
Underwriting discount (sales load)	\$.22	\$506,000
Proceeds, before expenses, to Ares Capital Corporation(1)	\$16.08	\$36,984,000

(1)

Before deducting expenses payable by us related to this offering, estimated at \$200,000.

The underwriters may also purchase up to an additional 345,000 shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallocments. If the underwriters exercise this option in full, the total public offering price will be \$43,113,500, the total underwriting discount (sales load) paid by us will be \$581,900, and total proceeds, before expenses,

will be \$42,531,600.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about August 28, 2007.

Merrill Lynch & Co.

The date of this prospectus supplement is August 23, 2007.

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You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus is accurate only as of the date on the front cover of this prospectus supplement or such prospectus, as applicable. Our business, financial condition, results of operations and prospects may have changed since that date.

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FORWARD-LOOKING STATEMENTS

Some of the statements in this prospectus supplement and the accompanying prospectus constitute forward-looking statements, which relate to future events or our future performance or financial condition. The forward-looking statements contained in this prospectus involve risks and uncertainties, including statements as to:

our future operating results;

our business prospects and the prospects of our portfolio companies;

the impact of investments that we expect to make;

our contractual arrangements and relationships with third parties;

the dependence of our future success on the general economy and its impact on the industries in which we invest;

the ability of our portfolio companies to achieve their objectives;

our expected financings and investments;

the adequacy of our cash resources and working capital;

the timing of cash flows, if any, from the operations of our portfolio companies; and

the ability of Ares Capital Management to locate suitable investments for us and to monitor and administer our investments.

We use words such as "anticipates," "believes," "expects," "intends" and similar expressions to identify forward-looking statements. Our actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth in "Risk Factors" and elsewhere in this prospectus supplement or the accompanying prospectus.

We have based the forward-looking statements included in this prospectus supplement on information available to us on the date of this prospectus supplement, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we have filed or in the future may file with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

You should understand that under Sections 27A(b)(2)(B) and (D) of the Securities Act of 1933 (the "Securities Act") and Sections 21E(b)(2)(B) and (D) of the Exchange Act, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 do not apply to statements made in connection with this offering.

THE COMPANY

This summary highlights some of the information contained elsewhere in this prospectus supplement and the accompanying prospectus. It is not complete and may not contain all of the information that you may want to consider. You should read carefully the more detailed information set forth under "Risk Factors" and the other information included in this prospectus supplement and the accompanying prospectus. Except where the context suggests otherwise, the terms "we," "us," "our," "the Company" and "Ares Capital" refer to Ares Capital Corporation and its subsidiaries; "Ares Capital Management" or "investment adviser" or "Investment Adviser" refers to Ares Capital Management LLC; "Ares Administration" refers to Ares Operations LLC; and "Ares" refers to Ares Partners Management Company LLC and its affiliated companies, including Ares Management LLC.

Ares Capital

Ares Capital is a specialty finance company that is a closed-end, non-diversified management investment company, regulated as a business development company, or a "BDC," under the Investment Company Act of 1940, or the "1940 Act." We were founded in April 2004 and completed our initial public offering on October 8, 2004. Ares Capital's investment objective is to generate both current income and capital appreciation through debt and equity investments. We primarily invest in U.S. middle market companies, where we believe the supply of primary capital is limited and the investment opportunities are most attractive.

We primarily invest in first and second lien senior loans and long-term mezzanine debt. First and second lien senior loans generally are senior debt instruments that rank ahead of subordinated debt of a given portfolio company. These loans also have the benefit of security interests on the assets of the portfolio company, which may rank ahead of or be junior to other security interests. Mezzanine debt is subordinated to senior loans and is generally unsecured. In some cases, we may also receive warrants or options in connection with our debt instruments. Our investments have generally ranged between \$10 million and \$50 million each, although the investment sizes may be more or less than the targeted range and are expected to grow with our capital availability. We also, to a lesser extent, make equity investments in private middle market companies. These investments have generally been less than \$10 million each but may grow with our capital availability and are usually made in conjunction with loans we make to these companies. In connection with our investing activities, we may make commitments with respect to indebtedness or securities of a potential portfolio company substantially in excess of our final investment. In such situations, while we may initially agree to fund up to a certain dollar amount of an investment, we may syndicate a portion of such amount to third parties prior to closing such investment, such that we make a smaller investment than what was reflected in our original commitment. In this prospectus, we generally use the term "middle market" to refer to companies with annual EBITDA between \$5 million and \$50 million. EBITDA represents net income before net interest expense, income tax expense, depreciation and amortization.

The first and second lien senior loans generally have stated terms of three to ten years and the mezzanine debt investments generally have stated terms of up to ten years, but the expected average life of such first and second lien loans and mezzanine debt is generally between three and seven years. However, there is no limit on the maturity or duration of any security in our portfolio. The debt that we invest in typically is not initially rated by any rating agency, but we believe that if such investments were rated, they would be below investment grade (rated lower than "Baa3" by Moody's Investors Service or lower than "BBB-" by Standard & Poor's Corporation). We may initially invest without limit in debt of any rating, as well as debt that has not been rated by any nationally recognized statistical rating organization.

We believe that our investment adviser, Ares Capital Management, is able to leverage Ares' current investment platform, resources and existing relationships with financial sponsors, financial

institutions, hedge funds and other investment firms to provide us with attractive investments. In addition to deal flow, the Ares investment platform assists our investment adviser in analyzing, structuring and monitoring investments. Ares' senior principals have worked together for many years and have substantial experience in investing in senior loans, high yield bonds, mezzanine debt and private equity. The Company has access to the Ares staff of approximately 84 investment professionals and to the 72 administrative professionals employed by Ares who provide assistance in accounting, legal, compliance and investor relations.

While our primary focus is to generate current income and capital appreciation through investments in first and second lien senior loans and mezzanine debt and, to a lesser extent, equity securities of private companies, we also may invest up to 30% of the portfolio in opportunistic investments. Such investments may include investments in high-yield bonds, debt and equity securities in collateralized debt obligation vehicles and distressed debt or equity securities of public companies. We expect that these public companies generally will have debt that is non-investment grade. As part of this 30% of the portfolio, we may also invest in debt of middle market companies located outside of the United States, which investments are not anticipated to be in excess of 10% of the portfolio at the time such investments are made.

About Ares

Ares is an independent firm with approximately \$16.7 billion of total committed capital and over 190 employees as of the date of this prospectus supplement. Ares was founded in 1997 by a group of highly experienced investment professionals.

Ares specializes in originating and managing assets in both the leveraged finance and private equity markets. Ares' leveraged finance activities include the acquisition and management of senior loans, high yield bonds, mezzanine and special situation investments. Ares' private equity activities focus on providing flexible, junior capital to middle market companies. Ares has the ability to invest across a capital structure, from senior secured floating rate debt to common equity.

Ares is comprised of the following groups:

Capital Markets Group. The Ares Capital Markets Group currently manages a variety of funds and investment vehicles that have approximately \$10.8 billion of committed capital, focusing primarily on syndicated senior secured loans, high yield bonds, distressed debt, other liquid fixed income investments and other publicly traded debt securities.

Private Debt Group. The Ares Private Debt Group manages the assets of Ares Capital and Ares' private debt middle-market financing activities in Europe. The Private Debt Group focuses primarily on non-syndicated first and second lien senior loans and mezzanine debt.

Private Equity Group. The Ares Private Equity Group manages the Ares Corporate Opportunities Fund L.P. and the Ares Corporate Opportunities Fund II, L.P. (collectively referred to as "ACOF"), which together currently have approximately \$2.8 billion of total committed capital. ACOF generally makes private equity investments in companies in amounts substantially larger than the private equity investments anticipated to be made by Ares Capital. The Private Equity Group generally focuses on control-oriented equity investments in under-capitalized companies or companies with capital structure issues.

Ares' senior principals have been working together as a group for many years and have an average of over 20 years of experience in leveraged finance, private equity, distressed debt, investment banking and capital markets. They are backed by a large team of highly-disciplined professionals. Ares' rigorous investment approach is based upon an intensive, independent financial analysis, with a focus on preservation of capital, diversification and active portfolio management. These fundamentals

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underlie Ares' investment strategy and have resulted in large pension funds, banks, insurance companies, endowments and high net worth individuals investing in Ares funds.

Ares Capital Management

Ares Capital Management, our investment adviser, is served by a dedicated origination and transaction development team of 28 investment professionals, including our President, Michael J. Arougheti, which team is augmented by Ares' additional investment professionals, primarily its 33 member Capital Markets Group. Ares Capital Management's investment committee has five members, including Mr. Arougheti and four founding members of Ares. In addition, Ares Capital Management leverages off of Ares' entire investment platform and benefits from the Ares investment professionals' significant capital markets, trading and research expertise developed through Ares industry analysts. Ares funds have made investments in over 1,100 companies in over 30 different industries and currently hold over 450 investments in over 30 different industries.

Our Corporate Information

Our administrative offices are located at 1999 Avenue of the Stars, Suite 1900, Los Angeles, California, 90067, telephone number (310) 201-4200, and our executive offices are located at 280 Park Avenue, 22nd Floor, Building East, New York, New York 10017, telephone number (212) 750-7300.

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FEES AND EXPENSES

The following table is intended to assist you in understanding the costs and expenses that an investor in our common stock will bear directly or indirectly. We caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by "you," "us" or "Ares Capital," or that "we" will pay fees or expenses, stockholders will indirectly bear such fees or expenses as investors in Ares Capital.

Stockholder transaction expenses (as a percentage of offering price):	
Sales load paid by us	1.35%(1)
Offering expenses borne by us	0.53%(2)
Dividend reinvestment plan expenses	None(3)
<hr/>	
Total stockholder transaction expenses paid by us	1.88%
<hr/>	
Estimated annual expenses (as a percentage of consolidated net assets attributable to common stock)(4):	
Management fees	2.24%(5)
Incentive fees payable under investment advisory and management agreement (20% of realized capital gains and 20% of pre-incentive fee net investment income, subject to certain limitations)	1.94%(6)
Interest payments on borrowed funds	2.85%(7)
Other expenses	0.92%(8)
Acquired fund fees and expenses	0.86%(9)
<hr/>	
Total annual expenses (estimated)	8.81%(10)
<hr/>	

- (1) The underwriting discounts and commissions with respect to the shares sold in this offering, which is a one-time fee, is the only sales load paid in connection with this offering.
- (2) Amount reflects estimated offering expenses of approximately \$200,000 and based on the 2,300,000 shares offered in this offering.
- (3) The expenses of the dividend reinvestment plan are included in "other expenses."
- (4) "Consolidated net assets attributable to common stock" equals net asset value at June 30, 2007 plus the anticipated net proceeds from this offering.
- (5) Our management fee is 1.5% of our total assets other than cash and cash equivalents (which includes assets purchased with borrowed amounts). For the purposes of this table, we have assumed that we maintain no cash or cash equivalents. The 8.81% reflected on the table is calculated on our net assets (rather than our total assets). See "Management Investment Advisory and Management Agreement."
- (6) This item represents our incentive fees based on annualizing actual amounts earned on our pre-incentive fee net income for the six months ended June 30, 2007 and assumes that the incentive fees earned at the end of the 2007 calendar year will be based on the actual realized capital gains as of June 30, 2007, computed net of realized capital losses and unrealized capital depreciation. It also assumes that this fee will remain constant although it is based on our performance and will not be paid unless we achieve certain goals. In addition, we may realize additional capital gains or losses, or suffer additional unrealized capital depreciation in the third or fourth quarters that could result in an increase or decrease of the capital gains portion of the incentive fee payable to our investment adviser. Since our inception, the average quarterly incentive fee payable to our investment adviser has been approximately 0.85% of our weighted net assets (3.41% on an

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annualized basis). For more detailed information about incentive fees previously incurred by us, please see Note 3 to our consolidated financial statements as of June 30, 2007 included in the prospectus supplement and Note 3 to our consolidated financial statements as of December 31, 2006 included in the accompanying prospectus.

The incentive fee consists of two parts:

The first, payable quarterly in arrears, equals 20% of our pre-incentive fee net investment income (including interest that is accrued but not yet received in cash), subject to a 2.00% quarterly (8% annualized) hurdle rate and a "catch-up" provision measured as of the end of each calendar quarter. Under this provision, in any calendar quarter, our investment adviser receives no incentive fee until our net investment income equals the hurdle rate of 2.00% but then receives, as a "catch-up," 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.50%. The effect of this provision is that, if pre-incentive fee net investment income exceeds 2.50% in any calendar quarter, our investment adviser will receive 20% of our pre-incentive fee net investment income as if a hurdle rate did not apply.

The second part, payable annually in arrears for each calendar year ending on or after December 31, 2004, equals 20% of our realized capital gains on a cumulative basis from inception through the end of the year, if any, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees.

We will defer cash payment of any incentive fee otherwise earned by our investment adviser if, during the most recent four full calendar quarter period ending on or prior to the date such payment is to be made, the sum of (a) our aggregate distributions to our stockholders and (b) our change in net assets (defined as total assets less indebtedness) is less than 8.0% of our net assets at the beginning of such period. These calculations will be adjusted for any share issuances or repurchases.

See "Management Investment Advisory and Management Agreement."

(7)

"Interest payments on borrowed funds" represents our annualized interest expenses based on actual interest and credit facility expense incurred for the six months ended June 30, 2007. During the six months ended June 30, 2007, the average borrowings were \$500.9 million and cash paid for interest expense was \$13.8 million. We had outstanding borrowings of \$552.0 million at June 30, 2007. The item is based on our assumption that our borrowings and interest costs after an offering will remain similar to those prior to such offering. The amount of leverage that we employ at any particular time will depend on, among other things, our investment adviser's and our board of directors' assessment of market and other factors at the time of any proposed borrowing. See "Risk Factors We borrow money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing with us." We expect to use the net proceeds of this offering to repay outstanding indebtedness under our Revolving Credit Facility (\$182.0 million outstanding as of August 21, 2007) or the CP Funding Facility (\$85.0 million outstanding as of August 21, 2007).

(8)

Includes our overhead expenses, including payments under the administration agreement based on our allocable portion of overhead and other expenses incurred by Ares Administration in performing its obligations under the administration agreement. Such expenses are based on other expenses for the six months ended June 30, 2007. See "Management Administration Agreement." The holders of shares of our common stock (and not the holders of our debt securities or preferred stock, if any) indirectly bear the cost associated with our annual expenses.

(9)

The Company's stockholders indirectly bear the expenses of underlying investment companies in which the Company invests. This amount includes the fees and expenses of investment companies

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in which the Company is invested in as of June 30, 2007. Certain of these investment companies are subject to management fees or incentive fees. When applicable, fees and expenses are based on historic fees and expenses for the investment companies and for those investment companies with little or no operating history, fees and expenses are based on expected fees and expenses stated in the operating history, fees and expenses are based on expected fees and expenses stated in the investment companies' offering memorandum, private placement memorandum or other similar communication without giving effect to any performance. Future fees and expenses for these investment companies may be substantially higher or lower because certain fees and expenses are based on the performance of the investment companies, which may fluctuate over time. The amount of the Company's average net assets used in calculating this percentage was based on average monthly net assets of \$943.1 million for the six months ended June 30, 2007.

(10)

"Total annual expenses" as a percentage of consolidated net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. We borrow money to leverage our net assets and increase our total assets. The SEC requires that the "Total annual expenses" percentage be calculated as a percentage of net assets (defined as total assets less indebtedness), rather than the total assets, including assets that have been funded with borrowed monies. If the "Total annual expenses" percentage were calculated instead as a percentage of consolidated total assets, our "Total annual expenses" would be 5.81% of consolidated total assets.

Example

The following example demonstrates the projected dollar amount of total cumulative expenses over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed we would have no additional leverage, that none of our assets are cash or cash equivalents, and that our annual operating expenses would remain at the levels set forth in the table above.

	1 year	3 years	5 years	10 years
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return(1)	\$ 88	\$ 222	\$ 350	\$ 649

(1)

The above illustration assumes that we will not realize any capital gains computed net of all realized capital losses and unrealized capital depreciation. The expenses you would pay, based on a \$1,000 investment and assuming a 5% annual return resulting entirely from net realized capital gains (and therefore subject to the capital gain incentive fee), and otherwise making the same assumptions in the example above, would be: 1 year, \$98; 3 years, \$250; 5 years, \$394; and 10 years, \$725. However, cash payment of the capital incentive fee would be deferred if during the most recent four full calendar quarter period ending on or prior to the date the payment set forth in the example is to be made, the sum of (a) our aggregate distributions to our stockholders and (b) our change in net assets (defined as total assets less indebtedness) was less than 8.0% of our net assets at the beginning of such period (as adjusted for any share issuances or repurchases).

The foregoing table is to assist you in understanding the various costs and expenses that an investor in our common stock will bear directly or indirectly. While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. The incentive fee under the investment advisory and management agreement, which, assuming a 5% annual return, would either not be payable or have an insignificant impact on the expense amounts shown above, is not included in the example. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses, and returns to our investors, would be higher. In addition, while the example

assumes reinvestment of all dividends and distributions at net asset value, participants in our dividend reinvestment plan who have not otherwise elected to receive cash will receive a number of shares of our common stock, determined by dividing the total dollar amount of the dividend payable to a participant by the market price per share of our common stock at the close of trading on the valuation date for the dividend. See "Dividend Reinvestment Plan" for additional information regarding our dividend reinvestment plan.

This example and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses (including the cost of debt, if any, and other expenses) may be greater or less than those shown.

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RECENT DEVELOPMENTS

As of August 21, 2007, in addition to \$54.2 million of investments that Ares Capital has made since June 30, 2007, the Company has outstanding commitments to fund an aggregate of approximately \$360.0 million of investments. The Company expects to syndicate a portion of these commitments to third parties but cannot assure you that it will be able to do so. In addition, Ares Capital has an investment pipeline of approximately \$440.0 million as of August 21, 2007. The consummation of any of the investments in this backlog and pipeline depends upon, among other things: satisfactory completion of our due diligence investigation of the prospective portfolio company, our acceptance of the terms and structure of such investment and the execution and delivery of satisfactory transaction documentation. We cannot assure you that we will make any of these investments.

On August 9, 2007, we declared a quarterly dividend of \$0.42 per share to stockholders of record as of the close of business on September 14, 2007, payable on September 28, 2007.

On July 31, 2007, the Company announced that Moody's Investors Service assigned the Company a long-term issuer rating of Baa3 and Standard & Poor's Ratings Service assigned the Company a long-term counterparty credit rating of BBB. There can be no assurance that our ratings will continue for any given period of time or that they will not be changed.

SELECTED FINANCIAL AND OTHER DATA

The following selected financial and other data for the period from June 23, 2004 (inception) through December 31, 2004 and the years ended December 31, 2005 and 2006, are derived from our consolidated financial statements that have been audited by KPMG LLP, an independent registered public accounting firm whose report thereon is included elsewhere in the accompanying prospectus. The selected financial and other data for the six months ended June 30, 2007 and 2006 and other quarterly financial information is derived from our unaudited financial statements, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results at and for the six months ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. The data should be read in conjunction with our consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations," which are included elsewhere in this prospectus supplement and our audited consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the accompanying prospectus.

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ARES CAPITAL CORPORATION AND SUBSIDIARIES
SELECTED FINANCIAL DATA

As of and for the Six Months Ended June 30, 2007 and June 30, 2006
As of and For the Years Ended December 31, 2006 and December 31, 2005
and As of and For the Period June 23, 2004 (inception) Through December 31, 2004

	As of and For the Six Months Ended June 30, 2007	As of and For the Six Months Ended June 30, 2006	As of and For the Year Ended December 31, 2006	As of and For the Year Ended December 31, 2005	As of and For the Period June 23, 2004 (inception) Through December 31, 2004
Total Investment Income	\$ 87,113,941	\$ 50,681,056	\$ 120,020,908	\$ 41,850,477	\$ 4,380,848
Net Realized and Unrealized Gain on Investments	13,220,362	9,551,283	13,063,717	14,727,276	475,393
Total Expenses	43,211,423	24,516,110	58,458,015	14,568,677	1,665,753
Income Tax Expense (Benefit), Including Excise Tax	(33,281)	5,180,515	4,931,288	158,000	
Net Increase in Stockholders' Equity Resulting from Operations	\$ 57,156,161	\$ 30,535,714	\$ 69,695,322	\$ 41,851,076	\$ 3,190,488
Per Share Data:					
Net Increase in Stockholder's Equity Resulting from Operations:					
Basic:	\$ 0.93	\$ 0.80	\$ 1.61	\$ 1.78	\$ 0.29
Diluted:	\$ 0.93	\$ 0.80	\$ 1.61	\$ 1.78	\$ 0.29
Cash Dividend Declared:	\$ 0.82	\$ 0.74	\$ 1.64	\$ 1.30	\$ 0.30
Total Assets	\$ 1,704,490,354	\$ 942,430,333	\$ 1,347,990,954	\$ 613,645,144	\$ 220,455,614
Total Debt	\$ 552,000,000	\$ 345,200,000	\$ 482,000,000	\$ 18,000,000	\$ 55,500,000
Total Stockholders' Equity	\$ 1,105,140,155	\$ 576,984,134	\$ 789,433,404	\$ 569,612,199	\$ 159,708,305
Other Data:					
Number of Portfolio Companies at Period End	71	50	60	38	20
Principal Amount of Investments Purchased(1)	\$ 701,690,000	\$ 450,511,000	\$ 1,087,507,000	\$ 504,299,000	\$ 234,102,000
Principal Amount of Investments Sold and Repayments(2)	\$ 340,261,000	\$ 145,949,000	\$ 430,021,000	\$ 108,415,000	\$ 52,272,000
Total Return Based on Market Value(3)	(7.54)%	9.96%	29.12%	(10.60)%	31.53%
Total Return Based on Net Asset Value(4)	6.15%	5.33%	10.73%	12.04%	(1.80)%
Weighted Average Yield of Debt and Income Producing Equity Securities(5):	11.63%	12.42%	11.95%	11.25%	12.36%

(1) The information presented for the period June 23, 2004 (inception) through December 31, 2004 includes \$140.8 million of the assets purchased from the Royal Bank of Canada and excludes \$9.7 million of publicly traded fixed income securities.

(2) The information presented for the period June 23, 2004 (inception) through December 31, 2004 excludes \$9.7 million of publicly traded fixed income securities.

(3)

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Total return based on market value for the six months ended June 30, 2007 equals the decrease of the ending market value at June 30, 2007 of \$16.85 per share over the ending market value at December 31, 2006 of \$19.11, plus the declared dividends of \$0.82 per share for the six months ended June 30, 2007, divided by the market value at December 31, 2006. For the six months ended June 30, 2006, the total return based on market value equals the increase of the ending market value at June 30, 2006 of \$16.93 per share over the ending market value at December 31, 2005 of \$16.07, plus the declared dividends of \$0.74 per share for the six months ended June 30, 2006, divided by the market value at December 31, 2005. Total return based on market value for the year ended December 31, 2006 equals the increase of the ending market value at December 31, 2006 of \$19.11 per share over the ending market value at December 31, 2005 of \$16.07 per share plus the declared dividends of \$1.64 per share for the year ended

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December 31, 2006. Total return based on market value for the year ended December 31, 2005 equals the decrease of the ending market value at December 31, 2005 of \$16.07 per share over the ending market value at December 31, 2004 of \$19.43 per share plus the declared dividends of \$1.30 per share for the year ended December 31, 2005. Total return based on market value for the period June 23, 2004 (inception) through December 31, 2004 equals the increase of the ending market value at December 31, 2004 of \$19.43 per share over the offering price of \$15.00 per share plus the declared dividend of \$0.30 per share (includes return of capital of \$0.01 per share) for holders of record on December 27, 2004, divided by the offering price. Total return based on market value is not annualized. The Company's shares fluctuate in value. The Company's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.

(4)

Total return based on net asset value for the six months ended June 30, 2007 equals the change in net asset value during the period plus the declared dividends of \$0.82 per share for the six months ended June 30, 2007, divided by the beginning net asset value during the period (adjusted for share issuances). For the six months ended June 30, 2006, the total return based on net asset value equals the change in net asset value during the period plus the declared dividends of \$0.74 per share for the six months ended June 30, 2006, divided by the beginning net asset value during the period (adjusted for share issuances). Total return based on net asset value for the year ended December 31, 2006 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of \$1.64 per share for the year ended December 31, 2006, divided by the beginning net asset value. Total return based on net asset value for the year ended December 31, 2005 equals the change in net asset value during the period (adjusted for share issuances) plus the declared dividends of \$1.30 per share for the year ended December 31, 2005, divided by the beginning net asset value. Total return based on net asset value for the period June 23, 2004 (inception) through December 31, 2004 equals the change in net asset value during the period plus the declared dividend of \$0.30 per share (includes return of capital of \$0.01 per share) for holders of record on December 27, 2004, divided by the beginning net asset value. Total return based on net asset value is not annualized. The Company's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.

(5)

Weighted average yield on debt and income producing equity securities is computed as (a) the annual stated interest rate or yield earned plus the net annual amortization of original issue discount and market discount on accruing debt divided by (b) total debt and income producing equity securities at fair value.

SELECTED QUARTERLY DATA (Unaudited)

	2007		2006				2005			2004	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4(1)
Total investment income	\$ 47,398,918	\$ 39,715,023	\$ 37,508,058	\$ 31,831,794	\$ 30,489,751	\$ 20,191,305	\$ 14,890,281	\$ 11,607,989	\$ 9,601,615	\$ 5,750,592	\$ 4,380,848
Net investment income before net realized and unrealized gain on investments and incentive compensation	\$ 31,219,979	\$ 23,698,990	\$ 23,508,149	\$ 21,792,136	\$ 16,233,294	\$ 14,614,419	\$ 11,071,081	\$ 8,887,631	\$ 7,567,053	\$ 3,800,113	\$ 3,009,749
Incentive compensation	\$ 6,228,506	\$ 4,754,664	\$ 5,188,969	\$ 4,464,141	\$ 6,940,399	\$ 2,922,884	\$ (510,478)	\$ 2,643,353	\$ 1,798,919	\$ 270,284	\$ 95,471
Net investment income before net realized and unrealized gain on investments	\$ 24,991,473	\$ 18,944,326	\$ 18,319,180	\$ 17,327,995	\$ 9,292,895	\$ 11,691,535	\$ 11,581,559	\$ 6,244,278	\$ 5,768,134	\$ 3,529,829	\$ 2,914,278
Net realized and unrealized gain on investments	\$ 8,575,860	\$ 4,644,501	\$ 2,699,307	\$ 813,127	\$ 7,399,785	\$ 2,151,498	\$ 4,281,465	\$ 3,637,612	\$ 1,834,122	\$ 4,974,077	\$ 475,393
Net increase in stockholders' equity resulting from operations	\$ 33,567,333	\$ 23,588,827	\$ 21,018,487	\$ 18,141,122	\$ 16,692,680	\$ 13,843,033	\$ 15,863,024	\$ 9,881,890	\$ 7,602,256	\$ 8,503,906	\$ 3,389,671

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	2007		2006				2005		2004		
Basic and diluted earnings per common share \$	0.49 \$	0.44 \$	0.42 \$	0.39 \$	0.44 \$	0.36 \$	0.45 \$	0.42 \$	0.33 \$	0.69 \$	0.34
Net asset value per share as of the end of the quarter	\$ 15.84	\$ 15.34	\$ 15.17	\$ 15.06	\$ 15.10	\$ 15.03	\$ 15.03	\$ 15.08	\$ 14.97	\$ 14.96	14.43

- (1) The Company was initially funded on June 23, 2004 (inception) but had no significant operations until the fourth quarter of 2004. The sole activity for the second and third quarters of 2004 was the incurrence of \$199,183 in organizational expenses.

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USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of 2,300,000 shares of our common stock in this offering will be approximately \$36.8 million (or approximately \$42.3 million if the underwriters fully exercise their overallotment option), in each case based upon a public offering price of \$16.30 per share, after deducting the underwriting discounts and commissions of \$506,000 (or approximately \$581,900 if the underwriters fully exercise their overallotment option) payable by us and estimated offering expenses of approximately \$200,000 payable by us.

We expect to use substantially all of the net proceeds of this offering to repay outstanding indebtedness under our Revolving Credit Facility (\$182.0 million outstanding as of August 21, 2007) or the CP Funding Facility (\$85.0 million outstanding as of August 21, 2007). We expect such repayment will occur within 5 business days after the closing of this offering. The interest charged on the indebtedness incurred under the Revolving Credit Facility is based on LIBOR (one, two, three or six month) plus 1.00%, generally. As of August 21, 2007, the one, two, three and six month LIBOR were 5.50%, 5.50%, 5.49% and 5.33%, respectively. The Revolving Credit Facility expires on December 28, 2010. The interest charged on the indebtedness incurred under our CP Funding Facility is based on the commercial paper rate plus 0.70% and is payable quarterly. As of August 21, 2007, the commercial paper rate was 5.58%. The CP Funding Facility is scheduled to expire on October 31, 2007 (unless extended prior to such date with the consent of the lenders). We intend to use the remainder of the net proceeds for general corporate purposes, including additional repayments of outstanding debt.

We intend to invest primarily in first and second lien senior loans and mezzanine debt of middle market companies, each of which may include an equity component, and, to a lesser extent, in equity securities in such companies. In addition to such investments, we may invest up to 30% of the portfolio in opportunistic investments, including high-yield bonds, debt and equity securities in collateralized debt obligation vehicles, distressed debt or equity securities of public companies. As part of this 30%, we may also invest in debt of middle market companies located outside of the United States, which investments are not anticipated to be in excess of 10% of the portfolio. Pending such investments, we will invest a portion of the net proceeds primarily in cash, cash equivalents, U.S. government securities and other high-quality short-term investments. These securities may earn yields substantially lower than the income that we anticipate receiving once we are fully invested in accordance with our investment objective. As a result, we may not be able to achieve our investment objective and/or pay any dividends during this period or, if we are able to do so, such dividends may be substantially lower than the dividends that we expect to pay when our portfolio is fully invested. If we do not realize yields in excess of our expenses, we may incur operating losses and the market price of our shares may decline. See "Regulation Temporary Investments" for additional information about temporary investments we may make while waiting to make longer-term investments in pursuit of our investment objective.

PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

Our common stock is quoted on The NASDAQ Global Select Market under the symbol "ARCC." We completed our initial public offering in October 2004 at the price of \$15.00 per share. Prior to such date there was no public market for our common stock. Our common stock continues to trade in excess of net asset value. There can be no assurance, however, that our shares will continue to trade at a premium to our net asset value.

The following table sets forth the net asset value of our common stock, the range of high and low closing prices of our common stock as reported on The NASDAQ Global Select Market and the dividends declared by us for each fiscal quarter since our initial public offering. The stock quotations are interdealer quotations and do not include markups, markdowns or commissions and may not necessarily represent actual transactions.

	NAV(1)	Price Range		Premium/ Discount of High Sales Price to NAV	Premium/ Discount of Low Sales Price to NAV	Cash Dividend Per Share(2)
		High	Low			
Fiscal 2004						
Fourth quarter	\$ 14.43	\$ 19.75	\$ 15.00	136.9%	104.1%	\$ 0.30
Fiscal 2005						
First quarter	\$ 14.96	\$ 18.74	\$ 15.57	125.3%	104.0%	\$ 0.30
Second quarter	\$ 14.97	\$ 18.14	\$ 15.96	121.2%	106.6%	\$ 0.32
Third quarter	\$ 15.08	\$ 19.25	\$ 16.18	127.7%	107.3%	\$ 0.34
Fourth quarter	\$ 15.03	\$ 16.73	\$ 15.08	111.3%	100.3%	\$ 0.34
Fiscal 2006						
First quarter	\$ 15.03	\$ 17.97	\$ 16.23	119.6%	108.0%	\$ 0.36
Second quarter	\$ 15.10	\$ 17.50	\$ 16.36	115.9%	108.3%	\$ 0.38
Third quarter	\$ 15.06	\$ 17.51	\$ 15.67	116.3%	104.1%	\$ 0.40
Fourth quarter	\$ 15.17	\$ 19.31	\$ 17.39	127.3%	114.6%	\$ 0.50(3)
Fiscal 2007						
First quarter	\$ 15.34	\$ 20.46	\$ 17.82	133.4%	116.2%	\$ 0.41
Second quarter						